

BILL ANALYSIS AND FISCAL IMPACT REPORT
Taxation and Revenue Department

January 27, 2025

Bill: SB-15

Sponsor: Senator Elizabeth "Liz" Stefanics, Representative Doreen Y. Gallegos, Representative Harlan Vincent, Senator Pat Woods, and Representative Gail Armstrong

Short Title: Volunteer EMS & Firefighter Tax Credits

Description: This bill creates the volunteer emergency medical services income tax credit and volunteer firefighter income tax credit for tax years prior to 2035.

A taxpayer who is not a dependent of another individual, is an eligible emergency medical services volunteer and volunteers in New Mexico with an emergency medical service agency or ambulance that is certified by the bureau to have volunteered at least 52 times in a taxable year may claim a tax credit of \$1,000 against the taxpayer's personal income tax liability for that tax year. The individual will apply for certification with the emergency medical systems bureau of the public health division of the Department of Health (DOH) which, if eligible, will issue the individual a certificate, and taxpayer shall claim the credit on forms and in the manner prescribed by the Taxation and Revenue Department (Tax & Rev). The bureau shall also provide Tax & Rev with electronic copies of the certificates of eligibility at regularly agreed upon intervals. The aggregate amount of tax credits that may be certified in any taxable year is \$4,000,000. That portion of the tax credit that exceeds a taxpayer's tax liability in the taxable year in which the tax credit is claimed shall be refunded.

Similarly, eligible volunteer firefighter and volunteers in New Mexico with a fire department, who have been approved by the state fire marshal's office as volunteering at least 52 times in a taxable year may also claim a tax credit of \$1,000. The individual will apply for certification from the state fire marshal's office on forms and in the manner prescribed by that office. The office shall also provide Tax & Rev with electronic copies of the issued certificate regularly agreed upon intervals. The aggregate amount of tax credits that may be certified for any taxable year is \$4,000,000. That portion of the tax credit that exceeds a taxpayer's tax liability in the taxable year in which the tax credit is claimed shall be refunded. An otherwise eligible taxpayer shall not be allowed to claim both tax credits for the same taxable year. In each case, "to volunteer" means to provide the relevant service or to provide at last one (1) hour of on-duty station time. Tax & Rev shall include the tax credit in the tax expenditure budget compiled pursuant to Section 7-1-84 NMSA 1978.

Provisions of this act apply to taxable years beginning or after January 1, 2025. This act is repealed effective January 1, 2035.

Effective Date: Not specified; 90 days following adjournment (June 20, 2025). Applicable to tax years beginning on or after January 1, 2025.

Taxation and Revenue Department Analyst: Sara Grubbs

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY2025	FY2026	FY2027	FY2028	FY2029		
--	(\$7,260)	(\$7,260)	(\$7,260)	(\$7,260)	R	General Fund

* In thousands of dollars. Parentheses () indicate a revenue loss. ** Recurring (R) or Non-Recurring (NR).

Methodology for Estimated Revenue Impact:

[Section 1] According to the National Association of Emergency Medical Technicians, emergency medical services (EMS) include emergency medical responders, emergency medical technicians, advanced emergency medical technicians, and paramedics¹.

The University of New Mexico Health Sciences Center submits an annual New Mexico Health Care Workforce Committee Report to the New Mexico legislature per 24-14C-1 NMSA 1978. The 2024 New Mexico Health Care Workforce Committee Report provides a count of the number of emergency medical technicians (EMTs) by county. In this report, EMT is defined as those licensed as EMTs, first responders or dispatchers. Tax & Rev assumes all potential qualified EMS workers are captured by this definition including assuming that “paramedics” are synonymous with “first responders”. Using the average number of EMTs from 2021 to 2023 in the reports, Tax & Rev estimates the total number of EMTs and therefore EMSs is 4,334.

In the United States, approximately 30% of EMSs in urban areas are volunteers while 74% of EMSs in rural areas are volunteers². These percentages were then applied to each county. Bernalillo, Los Alamos, Sandoval, Santa Fe, and Taos are assumed to be urban with all other counties considered rural, resulting in a total estimated count of 2,180 volunteer EMSs in New Mexico. Tax & Rev assumes these volunteer EMSs will qualify for this credit.

Of the remaining paid EMSs, Tax & Rev assumes half will volunteer under qualifying conditions, leaving 1,077 paid EMSs that volunteer. In total, Tax & Rev calculates an estimate of 3,260 EMS workers would claim this credit.

As this is a refundable \$1,000 tax credit, the estimated revenue impact for section 1 is \$3,260,000. Tax & Rev assumes the number of qualified EMS workers is constant from FY2026 to FY2029.

[Section 2] The Public Employees Retirement Association (PERA) of New Mexico provides a count of the number of volunteer firefighters in New Mexico in their Annual Financial Reports. Since 2017, the number of active volunteer firefighters has been above 7,000. In 2024, there were 7,493 active volunteer firefighters, 425 inactive volunteer firefighters and 1,717 retired volunteer firefighters.

With an aggregate cap of \$4,000,000 and a refundable tax credit of \$1,000 per claimant, a maximum of 4,000 volunteer firefighters could be certified for this credit annually. As noted above, New Mexico has well over 4,000 active volunteer firefighters. Assuming these volunteer firefighters qualify for this tax credit, the aggregate cap is expected to be reached. Tax & Rev assumes the number of qualified firefighters is constant from FY2026 to FY2029.

The total estimated revenue impact for sections 1 and 2 is calculated to be \$7,260,000.

Policy Issues: Personal income tax (PIT) represents a consistent source of revenue for many states. For New Mexico, PIT is approximately 25 percent of the state’s recurring general fund revenue. While this revenue source is susceptible to economic downturns, it is also positively responsive to economic expansions. New Mexico is one of 41 states, along with the District of Columbia, that impose a broad-based PIT (New Hampshire and Washington do not tax wage and salary income). Like several states, New Mexico computes its income tax based on the federal definition of taxable income and ties to other

¹ <https://www.naemt.org/about-ems/careers>

² Cash, R. E., Rivard, M. K., Chrzan, K., Mercer, C. B., Camargo, C. A., & Panchal, A. R. (2020). Comparison of Volunteer and Paid EMS Professionals in the United States. *Prehospital Emergency Care*, 25(2), 205–212.

<https://doi.org/10.1080/10903127.2020.1752867>

statutes in the federal tax code. This is referred to as “conformity” to the federal tax code. The PIT is an important tax policy tool that has the potential to further both horizontal equity, by ensuring the same statutes apply to all taxpayers, and vertical equity, by ensuring the tax burden is based on taxpayers’ ability to pay. This credit erodes horizontal equity by basing the credit on a profession, thus taxpayers in similar economic circumstances are no longer treated equally.

While tax incentives can support specific industries or promote desired social and economic behaviors, the growing number of such incentives complicate the tax code. Introducing more tax incentives has two main consequences: (1) it creates special treatment and exceptions within the code, leading to increased tax expenditures and a narrower tax base, which negatively impacts the general fund; and (2) it imposes a heavier compliance burden on both taxpayers and Tax & Rev. Increasing complexity and exceptions in the tax code is generally not in line with sound tax policy.

This credit may be administratively burdensome to taxpayers and is dependent on the process for certification of eligibility. A more complicated certification process may impede the number of credits claimed.

This credit may help to offset the additional cost that a firefighter or EMS incurs to become a volunteer. For example, the cost to train and equip a firefighter can surpass \$20,000 depending on the state, jurisdiction, and level and type of training³.

These credits have a sunset with a delayed repeal, Tax & Rev supports sunset dates for policymakers to review the impact of a deduction or other tax incentive before extending it if a sufficient timeframe is allotted for tax incentives to be measured. In addition, Tax & Rev supports the delayed repeal in Section 3 to maintain accuracy and brevity in the tax code by removing statute language that expires.

[Section 1] Recruitment and retention of trained personnel to serve on a volunteer basis can be very difficult for EMS services in rural communities. Rural communities are much more likely to rely on volunteers as the rural population base is small. There are few employers in many rural areas and many people work out-of-town, making it impossible for them to volunteer during the day with family commitments on the weekends. Also, many EMS workers spend hundreds of dollars out of pocket for certification. The amount of this credit may not incentivize additional EMS workers that are not presently volunteering to volunteer if it requires an outlay of cost.

[Section 2] As of January 2024, New Mexico had 247 fire departments with 78% of the departments relying solely on volunteer firefighters⁴. As the number of volunteer firefighters is substantially greater than the number of eligible credits available, it is possible that the individual tax credit and the aggregate cap are not large enough to incentivize additional hours of volunteering as a firefighter.

Technical Issues: For language consistency in the tax code, Tax & Rev suggests replacing the language in Section 2, subsection G with the following: “The tax credit provided by this section shall be included in the tax expenditure budget pursuant to Section 7-1-84 NMSA 1978.” In addition, subsection G language is not included for the credit in Section 1 of the bill. Tax & Rev suggests that the above language be inserted on page 3, line 14, as a new subsection G, and the subsequent subsection be a new subsection H.

Other Issues: [Sections 1 and 2] Tax & Rev notes that there are no definitions for “active” used to determine eligibility for both credits, under Section 1, subsection C on page 2, line 11 and Section 2,

³ National Volunteer Fire Council; Volunteer Fire Service Fact Sheet; www.nvfc.org

⁴ Federal Emergency Management Agency; U.S. Fire Administration; National Fire Department Registry Summary — January 2024

subsection C on page 5, line 3. PERA categorizes volunteer firefighters into three categories: active, inactive and retired. It is not clear if those classified as inactive or retired would be eligible for this credit if they meet the other criteria for eligibility. Definitions may need further expansion and clarification for the Department of Health (DOH) and State Fire Marshal’s Office to certify the taxpayers’ eligibility for these credits.

Administrative & Compliance Impact: Tax and Rev will update forms, instructions and publications and make information system changes. Staff training to administer the credit will need to take place. This implementation will be included in the annual tax year changes.

Tax & Rev’s Administrative Services Division (ASD) will test credit sourcing and perform other systems testing. It is anticipated this work will take approximately 40 hours split between 2.0 FTE of a pay band 70 and a pay band 80 at a cost of approximately \$2,500. Pay band 70 hours are estimated at time and ½ due to extra hours worked required for implementation.

The proposed bill will have a high impact on Tax & Rev’s Information Technology Division (ITD), approximately 1,100 hours or about 6 months for an estimated staff workload cost of \$73,304. The implementation requires updates to GenTax, the tax system of record, and Taxpayer Access Point (TAP) to update the business credit application web request on TAP and coordinate with other divisions on system changes and testing.. The estimate for staff workload includes the effort required to implement interfaces for two new data exchanges with DOH and the State Fire Marshall’s Office for sharing certificates of eligibility in an electronic format.

[Section 4] Tax & Rev recommends the applicability date shift by one year to apply to “taxable years beginning on or after January 1, 2026”. Two new bureaus are designated to approve certification at DOH and the State Fire Marshall’s Office. These credits would mark the first time these bureaus have been tasked with certification and Tax & Rev needs an additional taxable year to coordinate the certification process with these bureaus for accurate and efficient implementation.

Estimated Additional Operating Budget Impact*				R or NR**	Fund(s) or Agency Affected
FY2025	FY2026	FY2027	3 Year Total Cost		
--	\$2.5	--	\$2.5	NR	Tax & Rev – ASD - Operating
--	\$73.3	--	\$73.3	NR	Tax & Rev – ITD – Staff Workload

* In thousands of dollars. Parentheses () indicate a cost saving. ** Recurring (R) or Non-Recurring (NR).